

CITY OF HARVEYVILLE, KANSAS
For the Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3 - 4
Summary of Expenditures - Actual and Budget	5
Statement of Cash Receipts and Expenditures - Actual and Budget:	
General Fund	6
Special Highway Fund	7
Equipment Reserve Fund	8
Water Utility Fund	9
Gas Utility Fund	10
Sewer Utility Fund	11
Solid Waste Utility Fund	12
Level Payment Fund (Not Budgeted)	13
Prepaid Fund (Not Budgeted)	14
Construction Fund (Not Budgeted)	15
Notes to Financial Statements	16 - 24

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Harveyville, Kansas

We have audited the accompanying financial statements of the City of Harveyville, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Harveyville, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the City of Harveyville, Kansas prepares its financial statements on a basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practice differs from accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Harveyville, Kansas as of December 31, 2011, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the City of Harveyville, Kansas as of December 31, 2011, and the revenue received and expenditures and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 2.

Groff & Berry

July 23, 2012

CITY OF HARVEYVILLE, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the Year Ended December 31, 2011

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental type:						
General	\$ 136,479	\$ 66,663	\$ 166,316	\$ 36,826	\$ 1,133	\$ 37,959
Special revenue:						
Special highway	7,994	6,425	10,256	4,163	-	4,163
Equipment reserve	29,890	6,254	-	36,144	-	36,144
Construction	-	400,000	400,000	-	-	-
Proprietary type:						
Enterprise:						
Water utility	56,300	103,561	117,769	42,092	1,687	43,779
Gas utility	159,850	117,724	106,653	170,921	7,979	178,900
Sewer utility	107,862	44,711	37,975	114,598	799	115,397
Solid waste utility	10,941	18,466	17,940	11,467	1,491	12,958
Level payment fund	3,131	16,518	17,429	2,220	-	2,220
Prepaid funds	876	3,590	4,466	-	-	-
Total reporting entity	\$ 513,323	\$ 783,912	\$ 878,804	\$ 418,431	\$ 13,089	\$ 431,520

(Continued)

CITY OF HARVEYVILLE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
(Continued)
For the Year Ended December 31, 2011

Composition of cash:

Cash in The First National Bank of Harveyville, Harveyville, Kansas:		
Checking account	\$ 15,328	
Less: outstanding checks	<u> -</u>	\$ 15,328
Money market accounts		191,267
Certificates of deposit		224,825
Cash on hand		<u>100</u>
 Total reporting entity		 <u>\$ 431,520</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
Governmental type:					
General	\$ 191,071	\$ -	\$ 191,071	\$ 166,316	\$ 24,755
Special revenue:					
Special highway	14,818	-	14,818	10,256	4,562
Equipment reserve	41,811	-	41,811	-	41,811
Proprietary type:					
Enterprise:					
Water utility	179,256	-	179,256	117,769	61,487
Gas utility	314,803	-	314,803	106,653	208,150
Sewer utility	103,712	-	103,712	37,975	65,737
Solid waste utility	30,375	-	30,375	17,940	12,435

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS

GENERAL FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
 ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem property tax	\$ 33,610	\$ 36,254	\$ (2,644)
Delinquent	3,197	-	3,197
Motor vehicle	8,261	9,299	(1,038)
Recreational vehicle tax	281	292	(11)
16/20M vehicle tax	192	16	176
Sales tax	9,328	8,700	628
Licenses, fines and fees	370	300	70
Franchise tax	7,171	6,700	471
Interest	1,057	1,500	(443)
Other	521	1,000	(479)
Utility sales tax	2,675	3,000	(325)
Transfers	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>
Total cash receipts	<u>66,663</u>	<u>\$ 87,061</u>	<u>\$ 20,398</u>
Expenditures:			
General government:			
Personal services	19,135	\$ 20,000	\$ 865
Contractual	9,339	20,000	10,661
Commodities	7,573	15,000	7,427
Capital outlay	-	43,571	43,571
Sales tax	1,756	3,000	1,244
Other	110	-	(110)
Street department:			
Salaries	-	40,000	40,000
Contractual	40,000	40,000	-
Commodities	40,640	-	(40,640)
Parks	1,279	1,500	221
Street lighting	4,019	4,000	(19)
Grant project	42,465	-	(42,465)
Transfers:			
Equipment reserve	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total expenditures	<u>166,316</u>	<u>\$ 191,071</u>	<u>\$ 24,755</u>
Receipts over (under) expenditures	(99,653)		
Unencumbered cash, beginning	<u>136,479</u>		
Unencumbered cash, ending	<u>\$ 36,826</u>		

The accompanying notes are an integral part
 of these financial statements.

CITY OF HARVEYVILLE, KANSAS
SPECIAL HIGHWAY FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
State payments	\$ 6,341	\$ 6,900	\$ (559)
Interest	<u>84</u>	<u>80</u>	<u>4</u>
Total cash receipts	<u>6,425</u>	<u>\$ 6,980</u>	<u>\$ (555)</u>
Expenditures:			
Personal services	2,276	\$ 2,500	\$ 224
Commodities	<u>7,980</u>	<u>12,318</u>	<u>4,338</u>
Total expenditures	<u>10,256</u>	<u>\$ 14,818</u>	<u>\$ 4,562</u>
Receipts over (under) expenditures	(3,831)		
Unencumbered cash, beginning	<u>7,994</u>		
Unencumbered cash, ending	<u>\$ 4,163</u>		

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS

EQUIPMENT RESERVE FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
 ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
Transfers	\$ 6,000	\$ 10,000	\$ (4,000)
Interest	<u>254</u>	<u>-</u>	<u>254</u>
Total cash receipts	<u>6,254</u>	<u>\$ 10,000</u>	<u>\$ (3,746)</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>\$ 41,811</u>	<u>\$ 41,811</u>
Total expenditures	<u>-</u>	<u>\$ 41,811</u>	<u>\$ 41,811</u>
Receipts over (under) expenditures	6,254		
Unencumbered cash, beginning	<u>29,890</u>		
Unencumbered cash, ending	<u>\$ 36,144</u>		

The accompanying notes are an integral part
 of these financial statements.

CITY OF HARVEYVILLE, KANSAS
WATER UTILITY FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
Consumer sales	\$ 100,826	\$ 112,000	\$ (11,174)
Penalties and connection fees	1,989	1,700	289
Interest	508	1,800	(1,292)
Miscellaneous	<u>238</u>	<u>700</u>	<u>(462)</u>
Total cash receipts	<u>103,561</u>	<u>\$ 116,200</u>	<u>\$ (12,639)</u>
Expenditures:			
Water purchased	31,991	\$ 29,000	\$ (2,991)
Personal services	22,929	20,000	(2,929)
Supplies	4,658	10,000	5,342
Professional fees	5,303	5,000	(303)
Repairs	1,738	3,000	1,262
Utilities	1,988	2,000	12
Other	4,861	-	(4,861)
Debt service	44,301	44,297	(4)
Capital outlay	-	65,959	65,959
Transfer	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>117,769</u>	<u>\$ 179,256</u>	<u>\$ 61,487</u>
Receipts over (under) expenditures	(14,208)		
Unencumbered cash, beginning	<u>56,300</u>		
Unencumbered cash, ending	<u>\$ 42,092</u>		

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS

GAS UTILITY FUND
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
 ACTUAL AND BUDGET
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
Consumer sales	\$ 114,516	\$ 250,000	\$ (135,484)
Penalties and connection fees	1,617	2,000	(383)
Interest	1,353	2,500	(1,147)
Miscellaneous	<u>238</u>	<u>5,000</u>	<u>(4,762)</u>
Total cash receipts	<u>117,724</u>	<u>\$ 259,500</u>	<u>\$ (141,776)</u>
Expenditures:			
Gas costs	56,700	\$ 200,000	\$ 143,300
Personal costs	22,929	22,000	(929)
Supplies	9,101	6,000	(3,101)
Utilities	2,307	2,500	193
Professional fees	5,617	5,500	(117)
Repairs	3,747	6,000	2,253
Other	3,252	2,000	(1,252)
Capital outlay	-	57,803	57,803
Transfers	<u>3,000</u>	<u>13,000</u>	<u>10,000</u>
Total expenditures	<u>106,653</u>	<u>\$ 314,803</u>	<u>\$ 208,150</u>
Receipts over (under) expenditures	11,071		
Unencumbered cash, beginning	<u>159,850</u>		
Unencumbered cash, ending	<u>\$ 170,921</u>		

The accompanying notes are an integral part
 of these financial statements.

CITY OF HARVEYVILLE, KANSAS
SEWER UTILITY FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
User fees	\$ 42,010	\$ 41,000	\$ 1,010
Interest	846	1,500	(654)
Late charge	1,617	2,000	(383)
Other	<u>238</u>	<u>-</u>	<u>238</u>
Total cash receipts	<u>44,711</u>	<u>\$ 44,500</u>	<u>\$ 211</u>
Expenditures:			
Personal costs	9,271	\$ 10,000	\$ 729
Supplies	7,782	3,000	(4,782)
Utilities	1,961	2,000	39
Professional fees	5,423	5,500	77
Other	2,326	2,000	(326)
Debt service	8,212	8,212	-
Capital outlay	-	60,000	60,000
Transfers	<u>3,000</u>	<u>13,000</u>	<u>10,000</u>
Total expenditures	<u>37,975</u>	<u>\$ 103,712</u>	<u>\$ 65,737</u>
Receipts over (under) expenditures	6,736		
Unencumbered cash, beginning	<u>107,862</u>		
Unencumbered cash, ending	<u>\$ 114,598</u>		

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS
SOLID WASTE UTILITY FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
Cash receipts:			
User fees	\$ 18,339	\$ 19,000	\$ (661)
Interest	<u>127</u>	<u>150</u>	<u>(23)</u>
Total cash receipts	<u>18,466</u>	<u>\$ 19,150</u>	<u>\$ (684)</u>
Expenditures:			
Contractual services	17,940	\$ 18,100	\$ 160
Capital outlay	<u>-</u>	<u>12,275</u>	<u>12,275</u>
Total expenditures	<u>17,940</u>	<u>\$ 30,375</u>	<u>\$ 12,435</u>
Receipts over (under) expenditures	526		
Unencumbered cash, beginning	<u>10,941</u>		
Unencumbered cash, ending	<u>\$ 11,467</u>		

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS
LEVEL PAYMENT FUND (NOT BUDGETED)
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2011

	<u>Actual</u>
Cash receipts:	
Payments	\$ <u>16,518</u>
Total cash receipts	<u>16,518</u>
Expenditures:	
Payments to utility funds	<u>17,429</u>
Total expenditures	<u>17,429</u>
Receipts over (under) expenditures	(911)
Unencumbered cash, beginning	<u>3,131</u>
Unencumbered cash, ending	\$ <u><u>2,220</u></u>

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS
PREPAID FUND (NOT BUDGETED)
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2011

	<u>Actual</u>
Cash receipts:	
Receipts	\$ <u>3,590</u>
Total cash receipts	<u>3,590</u>
Expenditures:	
Expenditure	<u>4,466</u>
Total expenditures	<u>4,466</u>
Receipts over (under) expenditures	(876)
Unencumbered cash, beginning	<u>876</u>
Unencumbered cash, ending	\$ <u><u>-</u></u>

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS
CONSTRUCTION FUND (NOT BUDGETED)
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2011

	<u>Actual</u>
Cash receipts:	
Grants	\$ <u>400,000</u>
Total cash receipts	<u>400,000</u>
Expenditures:	
Construction	<u>400,000</u>
Total expenditures	<u>400,000</u>
Receipts over (under) expenditures	-
Unencumbered cash, beginning	<u>-</u>
Unencumbered cash, ending	\$ <u><u>-</u></u>

The accompanying notes are an integral part
of these financial statements.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS

1 - Reporting Entity

The City of Harveyville, Kansas is a municipal corporation governed by an elected council. These financial statements present the City of Harveyville, Kansas as the primary government. There are no component units.

2 - Summary of Significant Accounting Policies

a. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year ended 2011:

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special revenue funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

b. Statutory Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has obtained a waiver from generally accepted accounting principles which allows the municipality to revert to the statutory basis of accounting.

c. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, building and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

d. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budget amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and trust funds.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

d. Budgetary Information (Continued)

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

e. Vacation Benefits

Under the terms of the City's personnel policy, City employees are granted vacation leave in varying amounts. These unrecorded accrued vacation leave benefits are not expected to have a material impact on the financial statements in any one year.

3 - Compliance with Kansas Statutes

The bank balance was legally secured at December 31, 2011.

4 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the Government is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Government has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Custodial credit risk-deposits. Custodial credit risk is the risk, that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Boston, or the Federal Home Loan Bank of Topeka, except during designate "peak periods" when required coverage is 50%. The Government has not designated "peak periods."

At December 31, 2011, the Government's carrying amount of deposits was \$ 431,420 and the bank balance was \$ 431,420. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$ 250,000 was covered by federal depository insurance and \$ 181,420 was collateralized with securities with a market value of approximately \$ 450,000 held by the pledging financial institutions' agents in the Government's name.

Kansas statutes authorize the City to invest in U.S. Treasury bills and notes, repurchase agreements and the State Treasurer's investment pool. At December 31, 2011, the City held no investments.

5 - Long-Term Debt

The following is a detailed listing of the City's long-term debt:

<u>Issued</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General obligation refunding bonds: Water System, Series 1999	4% - 5.25%	03-01-1999	\$ 255,000	08-01-2019
General obligation water bonds: Series 2007A	4.5%	10-24-2007	348,000	10-24-2047
Series 2007B	4.25%	10-24-2007	62,000	10-24-2047
Water pollution control revolving loan	3.10%	09-01-2003	138,000	03-01-2024

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Long-Term Debt (Continued)

Changes in long-term debt for the City for the year ended December 31, 2011 were as follows:

<u>Issued</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance, End of Year</u>
General obligation refunding bonds: Water System, Series 1999	\$ 145,000	\$ -	\$ 15,000	\$ 130,000
General obligation water bonds:				
Series 2007A	337,818	-	3,719	334,099
Series 2007B	60,079	-	698	59,381
Water pollution control revolving loan	<u>87,319</u>	<u>-</u>	<u>5,548</u>	<u>81,771</u>
Total long-term debt	<u>\$ 630,216</u>	<u>\$ -</u>	<u>\$ 24,965</u>	<u>\$ 605,251</u>

Annual debt service requirements to maturity for principal and interest on the Series 1999 general obligation refunding bonds payable at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,000	\$ 6,375	\$ 21,375
2013	15,000	5,625	20,625
2014	15,000	4,856	19,856
2015	15,000	4,069	19,069
2016	15,000	3,281	18,281
2017 - 2019	<u>55,000</u>	<u>4,594</u>	<u>59,594</u>
	<u>\$ 130,000</u>	<u>\$ 28,800</u>	<u>\$ 158,800</u>

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for principal and interest on the Series 2007 general obligation water bonds payable at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,566	\$ 17,606	\$ 22,172
2013	4,817	17,355	22,172
2014	5,033	17,139	22,172
2015	5,257	16,915	22,172
2016	5,446	16,726	22,172
2017 - 2021	31,304	79,557	110,861
2022 - 2026	38,937	71,924	110,861
2027 - 2031	48,439	62,422	110,861
2032 - 2036	60,231	50,630	110,861
2037 - 2041	74,967	35,894	110,861
2042 - 2046	93,264	17,597	110,861
2047	<u>21,219</u>	<u>945</u>	<u>22,164</u>
	<u>\$ 393,480</u>	<u>\$ 404,710</u>	<u>\$ 798,190</u>

Annual service requirements to maturity for principal and interest on the Water Pollution Control Revolving Loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,721	\$ 2,491	\$ 8,212
2013	5,900	2,312	8,212
2014	6,084	2,128	8,212
2015	6,274	1,938	8,212
2016	6,470	1,742	8,212
2017 - 2021	35,514	5,547	41,061
2022 - 2023	<u>15,808</u>	<u>618</u>	<u>16,426</u>
	<u>\$ 81,771</u>	<u>\$ 16,776</u>	<u>\$ 98,547</u>

The City of Harveyville has received notice of a appropriation from the Kansas Legislature to pay off the outstanding debt of the City. See note 9 regarding subsequent events.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Interfund Transactions

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Gas utility	Equipment reserve	K.S.A. 19-119	3,000
Sewer utility	Equipment reserve	K.S.A. 19-119	3,000

7 - Defined Benefit Pension Plan

The City of Harveyville, Kansas, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rate for KPERS employees. The employer rate established for the calendar year 2011 is 6.74%. The City of Harveyville, Kansas employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$ 1,327, \$ 1,096 and \$ 1,129, respectively, equal to the required contributions for each year.

8 - Water Construction Project

During the prior period, the City received a Community Development Block Grant in the amount of \$ 400,000. The grant required other funds in the amount of \$ 450,980. Rural Development granted loans of \$ 580,000, of which \$ 410,000 was funded with the proceeds from the issuance of general obligation bonds and used for the project. The City has also entered into agreements to purchase water from the City of Osage City and the City of Burlingame to transport the water.

CITY OF HARVEYVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Subsequent Events

The City has received an Urgent Need Grant in the amount of \$ 245,747 to help the City recover from the tornado damage to the lagoons.

The Kansas Legislature put \$ 600,000 for the City of Harveyville in the Kansas Housing Resources Corporation Trust Fund to "pay the bond indebtedness for the water and sewer infrastructure of the City of Harveyville."